



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Jennifer Maguire

**SUBJECT: GENERAL FUND STRUCTURAL
DEFICIT – BREAKDOWN OF
2008-2009 BUDGET SOLUTIONS**

DATE: May 15, 2008

Approved 

Date 05/15/2008

BACKGROUND

In the Mayor's March Budget Message, the City Council approved the recommendation to allocate one-third of the total amount of the structural budget deficit to each the following areas as planning targets to be achieved over three years: revenue strategies (including economic development); service reductions; and cost savings (service delivery model changes, expenditure controls and shifts). This memorandum describes how much of the structural deficit is addressed in the 2008-2009 Proposed Operating Budget and the alignment of the proposed budget actions to these planning targets.

ANALYSIS

The 2008-2009 Proposed Operating Budget recommends \$22.1 million in ongoing solutions to begin addressing the \$136.9 million General Fund structural budget deficit, leaving a balance of \$114.8 million as shown in the chart below.

**General Fund Structural Budget Deficit
(\$ in millions)**

Structural Deficit Component	Total Deficit	2008-2009 Solutions	Remaining Deficit
Projected Shortfall (Feb 2008 Forecast)	(\$ 75.1)	\$ 20.6*	(\$ 54.5)
Unmet/Deferred Infrastructure & Maintenance Needs	(\$ 40.2)		(\$ 40.2)
GASB 43/45 (General Fund Retirement Benefits)	(\$ 21.6)	\$ 1.5	(\$ 20.1)
	(\$ 136.9)	\$ 22.1	(\$ 114.8)

* This figure has been revised from \$26.9 million presented in the 2008-2009 Proposed Budget Overview presentation. The Overview figure reflected all of the ongoing solutions presented in the 2008-2009 Proposed Budget, including the solutions for the development fee programs. The solutions for the cost recovery development fee programs should not be included because these programs are not included in the structural deficit calculation.

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As stated previously, the 2008-2009 Proposed Operating Budget includes \$22.1 million in ongoing budget solutions to the General Fund structural budget deficit. This figure excludes the actions proposed to bring the development fee programs into balance since these cost recovery programs are not included in the structural deficit calculation. The ongoing General Fund budget proposals can be broken down into the following Structural Deficit Elimination Plan categories as follows:

**2008-2009 Proposed Budget Solutions to the General Fund Structural Deficit
(\$ in millions)**


General Fund Structural Deficit Elimination Strategy	2008-2009 Proposed Budget Solutions	% of Solutions
Revenue Strategies (including economic development)	\$ 4.6	21%
Service Reductions	7.6	34%
Cost Savings (service delivery model changes/ expenditure controls)	9.9	45%
TOTAL	\$ 22.1	100%

The recommended Revenue Strategies are expected to generate \$4.6 million, or 21% of the ongoing budget solutions. This category includes a new Business Tax Administrative Fee (\$1.4 million), fee increases and activity adjustments in the non-development fee areas (\$1.3 million), a Business Tax Field Enforcement Pilot Program (\$500,000), the continuation of the Revenue Collection Strategic Plan (\$275,000), and other adjustments (\$1.2 million).

The Service Reductions category is expected to generate net ongoing savings of \$7.6 million, which represents 34% of the recommended budget solutions. This includes the net impact of position and non-personal/equipment reductions partially offset by additions to address City Council priorities. The recommended budget actions are described in 2008-2009 Proposed Operating Budget under the City Service Area and City Department sections.

The proposals in the Cost Savings category total \$9.9 million and represent approximately 45% of the recommended budget solutions. This category includes the following: expenditure and revenue funding shifts of \$6.3 million; the elimination of Airport West (FMC) debt service payments (assumed to start in 2009-2010) of \$2.0 million; and savings of \$1.5 million from financing strategies (pension obligation bonds and the prepayment of annual retirement contributions assumed to be realized in 2009-2010).

The Administration will continue to update this analysis as additional budget balancing strategies are brought forward for City Council consideration. Updated figures will be included in the Three-Year General Fund Structural Deficit Elimination Plan that is scheduled to be released in November 2008.


Jennifer Maguire
Acting Budget Director